

QUESTIONS AND ANSWERS  
BANK INDONESIA REGULATION NO. 19/2/PBI/2017 ON  
CERTIFICATE OF DEPOSIT TRANSACTIONS IN THE MONEY MARKET

**I GENERAL**

1. **Q: What is the background of issuance of BI Regulation on Certificate of Deposit Transactions in the Money Market?**

A: In depth, liquid, and efficient money market has a strategic function in supporting transmission of monetary and macroprudential policies, financial system stability, smooth payment system, and Rupiah management. Pertaining thereto, Bank Indonesia has issued BI Regulation No.18/11/PBI/2016 on the Money Market. The BI regulation issuance aims to confirm BI's roles in regulating, granting permits, and developing and supervising the money market.

Furthermore, for money market development, it is necessary to develop money market instruments tradable by money market actors, one of which is Certificate of Deposit transacted in the money market. Through this regulation, Bank Indonesia elaborates its roles by regulating transaction aspects of Certificates of Deposits in the money market.

In addition, this BI regulation is issued in line with Regulation of Financial Services Authority (POJK) Number 10/POJK.03/2015 on Issuance of Certificates of Deposits by Banks, primarily Article 18 setting forth that "transfer of scripless Certificates of Deposits through the Money Market, subject to the provisions of the competent authority, namely Bank Indonesia as the authority of MoneyMarket.

2. **Q: What is the position of BI Regulation on Certificate of Deposit Transactions in the Money Market pertaining to POJK Number 10/POJK.03/2015 on Issuance of Certificates of Deposits by Banks?**

A: This BI regulation emphasizes on transaction aspect of certificates of deposits in the money market. Therefore, the scope only includes certificates of deposits transacted in the money market.

In issuance aspect, an issuer must refer to the applicable POJK. However, if the certificate of deposit is aimed for transactions in the money market, the issuer must also refer to BI regulation on Certificate of Deposit Transactions in the Money Market.

Furthermore, this BI regulation specifies parties involved in transactions and regulation on the transaction mechanism. In addition, it also sets forth mechanism of transaction and supervision reporting by BI.

3. **Q: Does this BI regulation apply to sharia banks?**

A: Certificate of Deposit Transactions in this BI regulation only apply to Certificates of Deposits issued by a Commercial Bank running its business in a conventional principle.

**II CRITERIA FOR CERTIFICATES MARKET OF DEPOSITS**

1. **Q: Why is the nominal value of issued Certificates of Deposits specified Rp 10,000,000,000.00 (ten billion rupiah) at the minimum or its equivalent in foreign currency?**

- A: The nominal value of issue is regulated to boost issuance of Certificates of Deposits transacted in the Money Market in a big amount, which will eventually increase liquidity in the secondary market. In addition, it is also in line with the tendency of issuance for wholesale funding.
2. Q: **Why is the certificate specified to have the shortest tenor of 1 (one) month and the longest tenor of 36 (thirty-six) months, namely 1 (one) month, 3 (three) months, 6 (six) months, 9 (nine) months, 12 (twelve) months, 24 (twenty-four) months, or 36 (thirty-six) months?**
- A: In addition to harmonization of OJK regulation, such tenor is specified to help accelerate creation of more efficient market price in a longer term, which is still currently limited to transactions of government's monetary instruments and short-term instruments.

### III PERMIT

1. Q: **Is a bank desirous of issuing Certificates of Deposits transacted in the Money Market obliged to obtain a permit from Bank Indonesia although the bank has obtained a permit for issuance of scripless Certificates of Deposits from OJK?**
- A: As the money market authority, Bank Indonesia requires any bank desirous of issuing Certificates of Deposits transacted in the Money Market to obtain a permit first. The permit is a must so that the bank may become an eligible issuer to issue Certificates of Deposits transacted in the Money Market.
- Bank Indonesia's permit is needed once; if a Certificate of Deposit transacted in the Money Market is to be reissued, the bank only needs to report to Bank Indonesia when it issues the certificate.
- Bank must obtain a prior permit for issuance of scripless Certificates of Deposits from OJK as a prerequisite to obtain a permit from Bank Indonesia.
2. Q: **Is a Bank, which has issued Certificates of Deposits in the past, obliged to obtain a permit from Bank Indonesia?**
- A: If a Bank intends to issue Certificates of Deposits transacted in the Money Market upon enforcement of this BI regulation, the Bank must obtain a permit from Bank Indonesia.
3. Q: **What are the contents of information to be submitted by a Bank every time it issues a Certificate of Deposit transacted in the Money Market?**
- A: Information on issuance submitted to Bank Indonesia among others consists of security name/issue series, issue nominal value, discount, term, issue date, and due date.
4. Q: **Is a permit required from Bank Indonesia for any intermediary of transactions and custodians for Certificates of Deposits transacted in the Money Market?**
- A: As the money market authority, Bank Indonesia requires Securities Companies and Brokerage serving as intermediaries of Certificates of Deposits Transacted in the Money Market to obtain a permit.
- In addition, Bank Indonesia also requires a Bank serving as a custodian of Certificates of Deposits Transacted in the Money Market to obtain a permit from Bank Indonesia.

#### **IV CERTIFICATE OF DEPOSIT TRANSACTIONS**

- 1. Q: What does Certificate of Deposit Transaction in the Money Market mean?**  
A: Certificate of Deposit Transaction in the Money Market means outright Certificate of Deposit transfer through the Money Market at an agreed price and with certain settlement mechanism and administration. In other words, this BI regulation only regulates transactions in the secondary market.
- 2. Q: Why are Banks and Securities Companies allowed to conduct Certificate of Deposit Transactions directly or indirectly through intermediaries of transaction implementation?**  
A: Banks and Securities Companies may conduct direct transactions because they have direct accounts with LPP. However, Banks and Securities Companies have an option to conduct indirect transactions through implementation of transactions regulated in BI regulation.
- 3. Q: What does intermediary of Certificate of Deposit Transactions mean?**  
A: Intermediary of Certificate of Deposit Transactions includes Securities Companies and Brokerage permitted to serve as intermediaries of implementation of Certificate of Deposit Transactions.
- 4. Q: Why must a Certificate of Deposit Transaction be settled within 5 working days at the maximum after a transaction (t+5)?**  
A: The transaction settlement period arrangement aims to reduce potential risks borne by a counterparty in suffering from fund/securities transfer failure, which may result in failure to settle an agreed transaction and may eventually undermine the money market credibility.
- 5. Q: Is it possible to transact Certificates of Deposits, which are issued prior to the enforcement of this BI regulation and have not referred to the specified criteria, in the money market?**  
A: Certificates of Deposits issued prior to the enforcement of this BI Regulation may remain transacted in the Money Market until their due dates.
- 6. Q: Because OJK regulation on Certificates of Deposits and BI regulation do not prohibit transfers of Certificates of Deposits to non-resident customers, why does this BI regulation prohibit such transfer in the secondary market?**  
A: Bank Indonesia prohibits selling of Certificates of Deposits to be transacted and/or transferred in the Money Market to non-residents in order to prevent increasing exposure of bank loans to non-residents arising from transactions in the secondary market.
- 7. Q: In the event transfers of Certificates of Deposits to non-resident customers happen, what are the sanctions to be imposed?**  
A: Bank Indonesia will impose sanctions on (1) any Bank and Securities Company conducting direct selling transactions to non-resident investors and (2) any intermediary or Brokerage intermediating selling from uses transaction intermediary services for non-residents.

## **V REPORTING AND SUPERVISION**

1. **Q: What is the reporting mechanism of Certificate of Deposit Transactions by a bank considering such reporting will apply on the enforcement date of BI regulation?**  
**A:** Bank is obliged to report Certificate of Deposit transactions as part of mandatory reporting of Securities Trade in the Secondary Market as specified in the provisions for Daily Reporting of Commercial Banks. Therefore, mandatory reporting by banks specified in this BI regulation shall have been implemented periodically by banks through Daily Reporting of Commercial Banks. This matter will be confirmed in a Regulation of Member Board of Governors.
  
2. **Q: What is the form of supervision conducted by Bank Indonesia for Certificate of Deposit transactions in the Money Market.**  
**A:** Supervision conducted by Bank Indonesia means off-site and/or onsite supervision to be further specified in a Regulation of Member Board of Governors.